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FM AMEMBASSY ABUJA
TO RUEHC/SECSTATE WASHDC IMMEDIATE 9904
INFO RUEHZK/ECOWAS COLLECTIVE
RUEHWR/AMEMBASSY WARSAW 0374
RUEHCD/AMCONSUL CIUDAD JUAREZ 0375
RUEHOS/AMCONSUL LAGOS 7158
RHEBAAA/DEPT OF ENERGY WASHINGTON DC
RHEHNSC/NSC WASHINGTON DC
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C O N F I D E N T I A L SECTION 01 OF 02 ABUJA 001263

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DOE FOR CAROLYN GAY

E.O. 12958: DECL: 06/17/2017
TAGS: [ECON](#) [ENGR](#) [EPET](#) [PREL](#) [PGOV](#) [PTER](#) [NI](#)
SUBJECT: NIGERIA: SEN. NELSON MEETS WITH OIL EXECS

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Classified By: Ambassador John Campbell for reasons 1.4 (b & d).

11. (C) SUMMARY. During Senator Nelson's June 1 meeting with John Chaplin, Managing Director of ExxonMobil in Nigeria (EM) and Anne Pickard, Regional Executive Vice President for Shell Exploration and Production in Africa, the executives lamented that criminal gangs have slowed oil production and recent state elections worsened the political climate. They maintained, however, that Nigeria holds major potential in oil and gas production. Also present was the Ambassador and EconOff. END SUMMARY.

OIL EXECS SEE PROGRESS

12. (C) In a June 1 meeting with oil executives, Senator Nelson asked how the major oil companies see the situation in the Niger Delta unfolding. EM's Chaplin and Shell's Pickard agreed that the current period is a "honeymoon of sorts" in the Niger Delta. (COMMENT: Although 16 hostages were taken over the weekend, recent attacks were not focused on destroying oil production infrastructure. END COMMENT) Chaplin noted that the oil production infrastructure in the Niger Delta is fragile and that several well-placed rocket propelled grenades could bring all oil production to a halt. Both concurred that recent violence has moved from attacking infrastructure to criminals seeking money for hostages. Pickard reported that expats are evaluated by kidnappers on potential-for-payment scale, with hostages from the U.S. or western Europe garnering the highest ransoms and Russian, Indian and Asians the least. Pickard said the last amount she knows that was paid for a hostage was \$120,000.

LOCAL ELECTIONS FAIL TO ADDRESS PROBLEMS

13. (C) Regarding the elections, both concurred that the state elections were more important and volatile compared to the presidential election. Chaplin commented that the governors in the oil-producing states were worse than before and Pickard particularly singled out the new Delta state governor, Emmanuel Uduaghan. Chaplin commented that oil bunkering is a major problem and that the Navy, Army, state governors and others must be complicit for it to occur because of its scale and level of sophistication.

¶4. (C) Pickard opined that the core problem in the Niger Delta was not lack of resources but fiscal integrity to carry out development. She said improving primary education or health care will not be addressed because of the corruption associated with the current patronage system. Pickard complained that the only positive actors in the Niger Delta were major oil companies, and yet 94-95% of the profits go to the GON. She estimated that if a barrel of oil is selling at \$60, Shell recoups a \$1.60 profit in Nigeria, with the remainder going into GON pockets. Regarding Shell's production, Pickard stated that 600,000 barrels per day are shut-in and another 40,000-60,000 are siphoned by oil bunkerers.

OIL COMPANIES SEEK TRANSPARENCY

¶5. (SBU) Pickard reported that Shell and others have advocated in the National Assembly for bills that established transparent mechanisms in the federal and state governments. They have also sought greater transparency of decision-making in the Niger Delta Development Commission and pushed for additional government spending for social and economic development. Chaplin and Pickard encouraged the Senator to have the U.S. also advocate for more transparency in the energy sector.

MILITARY NOT AN OPTION

¶6. (C) When asked about whether the Nigerian military was a good option in the Niger Delta to stop the violence, Chaplin answered that the military was not an option that ExxonMobil hoped for. He believed that the military would aggravate the problem by antagonizing local communities. Chaplin said the

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Army is weak, outgunned and outclassed and the Navy is "amateurish with broken boats and no fuel." He did believe that a strong coast guard would be a valuable asset, if it existed.

CHINA, INDIA AND OTHERS OFFERING TEMPTING GIFTS

¶7. (C) Chaplin and Pickard both lamented the increased competition from the Chinese, Indians, Koreans and others. Chaplin said the Chinese and Indians try to sway the GON with package deals, including railroads, and other infrastructure projects. In addition, these countries are not afraid to pay special fees/bribes to conclude deals. In the long run, he speculated, these special packages will collapse as they have done in the past. He said the Chinese and Koreans already have experienced poor relations with local communities because of their methods.

NIGERIA HOLDS VAST UNTAPPED OIL AND GAS RESOURCES

¶8. (C) In response to Senator Nelson's question regarding the future of oil and gas production, Pickard said that the potential in Nigeria and the Gulf of Guinea is huge. She stated that Shell considers the region the most immature deepwater area in the world. Chaplin estimated that there is as much potential as that in the Gulf of Mexico and gas reserves could be the largest in the world.

¶9. (U) Senator Nelson cleared this cable.
CAMPBELL